

P 140528Z APR 09
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC PRIORITY 3830
INFO EU MEMBER STATES COLLECTIVE PRIORITY
IRAQ COLLECTIVE PRIORITY
NATO EU COLLECTIVE PRIORITY
AMEMBASSY AMMAN PRIORITY
AMEMBASSY ANKARA PRIORITY
AMEMBASSY BAGHDAD PRIORITY
AMEMBASSY KUWAIT PRIORITY
DEPT OF ENERGY WASHINGTON DC PRIORITY
DEPT OF TREASURY WASHINGTON DC PRIORITY
NSC WASHINGTON DC PRIORITY
SECDEF WASHINGTON DC PRIORITY
USEU BRUSSELS PRIORITY
WHITE HOUSE WASHINGTON DC PRIORITY

C O N F I D E N T I A L BERLIN 000433

PLEASE PASS TO CHODGES, PSCHROEDER AT EUR/CE; GHICKS AT
EEB/OIA; LKOHLER AT TREASURY; JLEVINE AT COMMERCE

E.O. 12958: DECL: 04/09/2019

TAGS: [PREL](#) [ECON](#) [EFIN](#) [EINV](#) [ENRG](#) [ETRD](#) [IZ](#) [GM](#)

SUBJECT: GERMANY'S ECONOMICS MINISTRY BULLISH ON IRAQ

REF: A. 09 BERLIN 305

[B](#). 09 BERLIN 235

[C](#). 08 BERLIN 1044

[D](#). 08 BERLIN 1001

[E](#). 08 BERLIN 950

Classified By: Counselor for Economic Affairs Ingrid M. Kollist for reasons 1.4 (b) and (d)

[1](#). (C) Summary: Economics Minister Karl-Theodor zu Guttenberg plans to lead a large business delegation on a visit Baghdad and Erbil in early July although a precise date has not been confirmed. Econ Ministry staff told Econ Counselor that zu Guttenberg sees Iraq also as a European responsibility, and that Germany must play a role now, not after U.S. troops draw down. The Econ Ministry portrays a more bullish view of business opportunities than other quarters of the German government or industry. German industry shows increasing interest in opportunities beyond Kurdistan, has stepped into Iraq's energy sector, and plans non-official trips to Iraq in 2009. End Summary.

ECON MINISTRY HOPES TO SET NEW BAR WITH TRIP

[2](#). (C) On March 27, Economics Ministry officials told Econ Counselor and Trade Officer that they have the green light to plan a Ministerial visit to Iraq for early July. (Note: As of April 8, a date had still not been confirmed.) Econ Ministry officials said they welcomed Foreign Minister Frank-Walter Steinmeier's mid-February visit to Iraq, but noted that Steinmeier's trip did not meet Iraqis' expectations because security requirements limited the number of German business representatives traveling with Steinmeier to only seven. Dr. Juergen Friedrich, Head of the Ministry's Middle East Division, said that his Ministry intended to significantly surpass this number when Economics Minister zu Guttenberg visits Iraq.

[3](#). (C) Economics Ministry officials hailed the German government's forward movement on Iraq, but pointed to some remaining points of contention. Most importantly, the Econ Ministry wants to see the German government facilitate official and business travel within Iraq more effectively. Friedrich said that the MFA had adjusted its travel advisory and guidelines to permit unrestricted access to Kurdistan and greater flexibility in Baghdad, but that these steps were still insufficient. He complained that the Ministry of Interior's security requirements also do not reflect the improving security situation on the ground in Iraq.

Friedrich said that except for the German Ambassador and Deputy Chief of Mission, German diplomats are not permitted to travel within Iraq and Germany's development agency (GTZ) is effectively barred from providing expertise on agriculture, an important step to stabilizing Iraq's rural areas. Friedrich noted that both the German Embassy in Iraq and his Ministry agree that these policies do not reflect current conditions. (Note: On March 17, a Ministry of Cooperation and Development (BMZ) official told us that due to the improving situation in Iraq, his Ministry planned to "deprioritize" Iraq. End note.) Friedrich also seeks Ministry of Interior support to facilitate German visas for skilled Iraqis who want to assist re-entry of German businesses into the Iraqi market.

ECON MINISTRY BULLISH

¶4. (C) Econ Ministry officials, in comparison to MFA and industry sources (REF A), report strong interest among German firms in the Iraqi market and depict an environment increasingly ripe for German businesses. Friedrich, who previously represented the German Chamber of Industry and Commerce (DIHK) in the Persian Gulf, said that he envisioned Iraq returning to its former prominence as an export market for German firms on par with Saudi Arabia (5.19 billion euros in 2008) or Iran (3.92 billion euros in 2008). According to Friedrich, Daimler, Siemens and other major German firms already are convinced of Iraq's market potential; they only need to determine how best to re-enter the market. He argued that some German firms are forging ahead with investment plans despite translation errors that are holding up the signing of a German-Iraqi bilateral investment agreement. The Ministry is working with the German-Iraqi Joint Economic Committee to promote Iraq's economic development agenda in Baghdad, and an international trade fair will be held in Erbil later this year. "We should promote this (notion of hosting business/development events in-country) as a government," Friedrich said.

¶5. (C) Economics Ministry officials said that despite a dearth of qualified personnel, export insurance, logistical support and internationally savvy banking, German SMEs are determined to find their way back into the Iraqi market. The Ministry had approximately 400 sign ups for its February 27 workshop on doing business in Iraq, but had to turn away roughly 130 people due to limited space. Friedrich noted that the event attracted high interest, even though participants did not yet know that zu Guttenberg himself would address the conference. Similarly, Germany's business information office, recently opened in Baghdad's Green Zone, has been "flooded with CVs" from Iraqi expatriates living in Germany who hope to return to Iraq as employees of German firms. In recent weeks, DIHK has seen associates who have strong records of success in the Arab world express interest in Iraq assignments. On April 1, a Bavarian Business Association (VBW) representative told EconOffs that his organization is planning a Bavarian-only business delegation to Baghdad and Basra to explore opportunities in infrastructure, such as ports, power generation, water systems, sewage systems, and telecommunications. The VBW rep noted that the U.S. Administration's abandonment of no-bid contracting practices in Iraq persuaded German firms that they would find a level playing field if they re-entered the market. Economics Ministry officials separately reported that Wintershall was cautiously pursuing an oil license in Iraq, a notable step given German concerns that the energy sector would be closed to German firms (REF A).

COMMENT

¶6. (C) While the Ministry of Economics may be erring somewhat on the side of over-optimism with respect to German business re-engagement, we are increasingly hearing a more positive tone from a range of interlocutors. The Development

Ministry's "de-prioritization" of Iraq is a tell tale sign that the German government believes the overall economic situation in Iraq has stabilized. The Ministry of Interior, headed by a political ally of Chancellor Angela Merkel and zu Guttenberg, will be a key player in easing the practical barriers to German business. At this point, the Interior Ministry seems to trail behind the needs of the business community. Minister zu Guttenberg's trade mission in July will be the most important next sign of how quickly German businesses return to Iraq.

Koenig